

This record is a partial extract of the original cable. The full text of the original cable is not available.

C O N F I D E N T I A L ANKARA 005198

SIPDIS

E.O. 12958: DECL: 08/14/2013

TAGS: [ETRD](#) [PREL](#) [ECIN](#) [TU](#) [CY](#)

SUBJECT: TRADE OFFICIAL ON CUSTOMS UNION WITH NORTHERN CYPRUS

REF: NICOSIA 1614

Classified by CDA Robert Deutsch. Reasons: 1.5(b,d).

1. (C) Summary: Embassy's August 13 discussion with a senior foreign trade official raised questions about how much substance there is to the customs union framework agreement Turkey signed with the "TRNC" authorities August 8. Foreign Trade Director General for Agreements Tevfik Mengu argued that the agreement would have little short-term impact on trade, but was designed to harmonize northern Cyprus' economy with that of the EU. He claimed the EU should not have any problem with the agreement, since it refers to "Cyprus" rather than to the "TRNC," and therefore is no different from other agreements Turkey is negotiating with countries that have free trade agreements with the EU. Embassy's sense, shared by local European Commission representatives, is that this agreement is largely a political show, unlikely to have much economic impact. End Summary.

2. (C) Embassy met with Foreign Trade Director General for Agreements Tevfik Mengu August 13 to try to learn the details of the customs union framework agreement signed with TRNC authorities August 8. Mengu was evasive, but made the following points:

-- The agreement has few details, but is meant to provide the framework for an eventual customs union agreement;

-- Turkish and "TRNC" authorities still have to complete the annexes and protocols needed to turn this into a full-fledged customs union agreement. Turkey is in "no rush" to do this, and in any case the agreement will not take effect before May 1, 2004;

-- The primary goal is not short-term trade expansion ("they have nothing to sell," per Mengu), but to help northern Cyprus harmonize its economy with that of the EU, in anticipation of Cyprus' accession (i.e. presuming there will be a settlement prior to accession).

3. (C) When pressed on what this agreement actually will do, Mengu responded that "it doesn't say much." He added that Turkey will work with "TRNC" authorities to eliminate tariffs on industrial goods and to create a "certificate of origin" system in the north. Mengu explained that goods from northern Cyprus currently come to Turkey without certificates of origin. If meant for re-export, authorities here give them Turkish certificates of origin. Mengu stressed, however, that the volume of such exports is miniscule.

4. (C) Mengu argued that the EU should not have a problem with the framework agreement because it refers to "Cyprus," not to the "TRNC." In that sense, he claimed, it is no different than the other free trade agreements Turkey is negotiating -- based on Article 16 of its Customs Union agreement with the EU -- with countries that have signed free trade agreements with the EU. Mengu implied that, by fudging the definition of "Cyprus," the agreement would allow the EU to pretend the agreement was with the recognized country of Cyprus, while allowing Turks to say it is with the "TRNC."

5. (C) An Ankara-based Economic Commission representative told us his office had many questions about the agreement, but could not comment authoritatively until it obtained the text. EC reps plan to meet with Foreign Ministry officials August 15 to discuss the agreement and, they hope, obtain a copy. The representative questioned the GOT argument that, by referring to "Cyprus" in the agreement rather than the "TRNC," it had avoided any legal issues vis-a-vis the EU.

5. (C) Comment: Embassy shares reftel's assessment that there is not much economic substance to this agreement, as does the EC rep with whom we spoke. It appears to be largely a political gesture that Turkey will attempt to justify

internationally with the argument that it is simply helping
northern Cyprus prepare for EU membership if there is a
settlement.
DEUTSCH